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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 1992

BEST COPY AVAILABLE

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PROCESSED BY
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Commission file number 17262

S. Y. BANCORP. INC.
(Exact name of registrant as specified in it)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL
L 30

Kentucky
(State or other jurisdiction of
incorporation or organization)

61-1137529
(I.R.S. Employer
Identification No.)

1040 East Main Street, Louisville, Kentucky, 40206
(Address of principal executive offices)
(Zip Code)

(502) 582-2571
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value -- 1,291,220
shares issued and outstanding at May 12, 1992

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following consolidated financial statements of S.Y. Bancorp, Inc. and Subsidiary (Stock Yards Bank & Trust Company) are submitted herewith:

- Consolidated Balance Sheets
March 31, 1992 and December 31, 1991
- Consolidated Statements of Income
for the three months ended March 31, 1992 and 1991
- Consolidated Statements of Cash Flows
for the three months ended March 31, 1992 and 1991
- Notes to Consolidated Financial Statements

S. Y. BANCORP, INC. AND SUBSIDIARY
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

	<u>March 31, 1992</u>	<u>December 31, 1991</u>
(In thousands, except share data)		
Assets		
Cash and due from banks	\$ 8,835	\$ 7,146
Interest bearing deposits with banks	-	750
Federal funds sold	-	3,500
Investments securities (approximate market value \$49,665 in 1992 and \$53,626 in 1991)	48,851	51,580
Loans	162,752	156,255
Less		
Allowance for loan losses	1,964	1,793
Unearned income	748	742
Net loans	160,040	153,720
Premises and equipment	2,527	2,380
Accrued interest receivable	1,580	1,664
Other assets	1,424	1,065
TOTAL ASSETS	<u>\$223,257</u>	<u>\$221,805</u>
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing	\$ 30,840	\$28,914
Interest bearing	156,143	155,880
Total deposits	186,983	184,794
Securities sold under agreements to repurchase and federal funds purchased	13,679	13,890
Short-term borrowings	1,943	3,313
Accrued interest payable and other liabilities	1,385	1,018
Subordinated debentures	634	634
TOTAL LIABILITIES	<u>204,624</u>	<u>203,649</u>
Stockholders' equity		
Common stock, no par value; 3,000,000 shares authorized, 1,289,220 and 1,286,220 shares issued and outstanding in 1992 and 1991, respectively	4,297	4,287
Surplus	6,461	6,446
Retained earnings	7,875	7,423
TOTAL STOCKHOLDERS' EQUITY	<u>18,633</u>	<u>18,156</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$223,257</u>	<u>\$221,805</u>
See accompanying notes to consolidated financial statements.		

S.Y. BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Income
For the three months ended March 31, 1992 and 1991

	<u>1992</u>	<u>1991</u>
(In thousands, except share and per share data)		
Interest income		
Loans	\$3,272	\$3,520
Interest bearing deposits with banks	5	39
Federal funds sold	81	18
Other short-term investments	-	15
U.S. Treasury and Federal agencies	776	870
Obligations of states and political subdivisions	83	55
Other investment securities	<u>9</u>	<u>-</u>
Total interest income	<u>4,226</u>	<u>4,517</u>
Interest expense		
Deposits	2,111	2,425
Securities sold under agreements to repurchase and federal funds purchased	123	139
Short-term borrowings	24	43
Subordinated debentures	<u>9</u>	<u>14</u>
Total interest expense	<u>2,267</u>	<u>2,621</u>
Net interest income	1,959	1,896
Provision for loan losses	<u>180</u>	<u>180</u>
Net interest income after provision for loan losses	<u>1,779</u>	<u>1,716</u>
Non-interest income		
Trust income	361	396
Investment securities gains	217	-
Service charges on deposit accounts	172	172
Other	<u>84</u>	<u>42</u>
Total non-interest income	<u>834</u>	<u>610</u>
Non-interest expenses		
Salaries and employee benefits	960	852
Net occupancy expense	117	102
Furniture and equipment expense	152	166
FDIC insurance	101	79
Other	<u>498</u>	<u>438</u>
Total non-interest expenses	<u>1,828</u>	<u>1,637</u>
Income before income taxes	785	689
Income tax expense	<u>205</u>	<u>190</u>
Net income	<u>\$ 580</u>	<u>\$ 499</u>
Net income per share		
Primary	<u>\$.44</u>	<u>\$.38</u>
Fully diluted	<u>.43</u>	<u>.38</u>
Average common shares		
Primary	<u>1,331,918</u>	<u>1,328,913</u>
Fully diluted	<u>1,334,602</u>	<u>1,329,874</u>

See accompanying notes to consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the three months ended March 31, 1992 and 1991

	1992	1991
	(In thousands)	
Operating Activities		
Net income	\$ 580	\$ 499
Adjustments to reconcile net income to cash provided by operating activities		
Provision for loan losses	180	180
Gain on sale of investment securities	(217)	-
Depreciation, amortization and accretion, net	128	137
Increase in other short-term investments	-	(15)
Decrease in accrued interest receivable	84	225
(Increase) decrease in other assets	(362)	239
Increase in accrued interest payable	198	116
Increase (decrease) in other liabilities	169	(67)
Net cash provided by operating activities	<u>760</u>	<u>1,314</u>
Investing Activities		
Proceeds from matured interest bearing deposits with banks	750	500
Net decrease in federal funds sold	3,500	100
Purchases of investment securities	(12,540)	-
Proceeds from maturities of investment securities	12,265	11,545
Proceeds from sales of investment securities	3,213	-
Net increase in loans	(6,500)	(3,045)
Purchases of premises and equipment	(264)	(102)
Net cash provided by investing activities	<u>424</u>	<u>8,991</u>
Financing Activities		
Net increase (decrease) in deposits	2,189	(8,399)
Net increase (decrease) in securities sold under agreements to repurchase and federal funds purchased	(311)	862
Net decrease in short-term borrowings	(1,370)	(1,520)
Exercise of stock options	25	12
Cash dividends paid	(128)	(114)
Net cash provided (used) by financing activities	<u>505</u>	<u>(9,152)</u>
Net increase in cash and cash equivalents	1,689	1,146
Cash and cash equivalents at beginning of period	<u>7,146</u>	<u>5,304</u>
Cash and cash equivalents at end of period	<u>\$ 8,835</u>	<u>\$ 6,450</u>

Income tax payments were \$0 in 1992, and \$25,000 in 1991.

Cash paid for interest was \$2,069,000 in 1992, and \$2,505,000 in 1991.

Noncash investing and financing activities aggregated \$16,000 in 1992 and \$240,000 in 1991. Included in these totals were transfers from loans to other real estate owned of \$0 in 1992 and \$195,000 in 1991.

See accompanying notes to consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. The consolidated financial statements of S.Y. Bancorp, Inc. and Subsidiary reflect all adjustments (consisting only of adjustments of a normal recurring nature) which are, in the opinion of management, necessary for a fair presentation of financial condition and results of operations for the interim periods.

The consolidated financial statements include the accounts of S.Y. Bancorp, Inc. and its wholly owned subsidiary, Stock Yards Bank & Trust Company. All significant intercompany transactions have been eliminated in consolidation.

A description of other significant accounting policies is presented in the Consolidated Financial Statements for the year ended December 31, 1991 included in S.Y. Bancorp, Inc.'s Annual Report, and its Form 10-K for the period then ended.

(2) Allowance for Loan Losses

An analysis of the changes in the allowance for the three months ended March 31 follows (in thousands):

	<u>1992</u>	<u>1991</u>
Beginning balance	\$1,793	\$1,731
Provision for loan losses	180	180
Loans charged off	(16)	(45)
Recoveries	<u>7</u>	<u>64</u>
Ending balance	<u>\$1,964</u>	<u>\$1,930</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This item discusses the results of operations for S.Y. Bancorp, Inc. ("Bancorp"), and its subsidiary, Stock Yards Bank & Trust Company ("the Bank") for the three months ended March 31, 1992 and compares that period with the same period of the previous year. Unless otherwise indicated, all references in this discussion to the "Bank" include Bancorp. In addition, the discussion describes the significant changes in the financial condition of the Bank that have occurred during the first three months of 1992 compared to December 31, 1991. This discussion should be read in conjunction with the financial statements and accompanying notes presented in Part I, Item 1 of this report.

A. RESULTS OF OPERATIONS

Net income of \$580,000 for the three months ended March 31, 1992 increased \$81,000 from \$499,000 for the comparable 1991 period. Primary and fully diluted net income per share was \$.44 and \$.43, respectively, for the first quarter of 1992, an increase of \$.06 and \$.05, respectively, over the \$.38 (both primary and fully diluted) for the same period in 1991. Return on average assets and return on average stockholders' equity was 1.06% and 12.69%, respectively, for the first quarter of 1992, compared to 1.03% and 12.08%, respectively, for the same period in 1991.

The increase in net income was partially the result of higher net interest income, resulting primarily from greater average volumes of earning assets in the first quarter of 1992 over the same period in 1991. Additionally, non-interest income increased significantly primarily as a result of gains on sales of investment securities.

The following discussion (pages 7-12) provides an analysis of the significant factors affecting operating results and financial condition.

Net Interest Income

(In thousands except percentages)

	<u>Three Months Ended</u>	
	<u>March 31</u>	
	<u>1992</u>	<u>1991</u>
Interest income	\$ 4,226	\$ 4,517
Tax equivalent adjustment	<u>79</u>	<u>72</u>
Interest income as adjusted	4,296	4,589
Total interest expense	<u>2,267</u>	<u>2,621</u>
Net interest income, tax equivalent basis (1)	\$ <u>2,029</u>	\$ <u>1,968</u>
Net interest spread (2), annualized	<u>2.93%</u>	<u>3.02%</u>
Net interest margin (3), annualized	<u>3.90%</u>	<u>4.28%</u>

Notes:

- (1) Net interest income, the most significant component of the Bank's earnings, is total interest income less total interest expense. The level of net interest income is determined by the mix and volume of interest earning assets, interest bearing deposits and borrowed funds, and by changes in interest rates.
- (2) Net interest spread is the difference between the taxable equivalent rate earned on interest earning assets less the rate expensed on interest bearing liabilities.
- (3) Net interest margin represents net interest income on a taxable equivalent basis as a percentage of interest earning assets. Net interest margin is affected by both the interest rate spread and the level of non-interest bearing sources of funds, primarily consisting of demand deposits and stockholders' equity.

Net interest income of \$2,029,000 for the three months ended March 31, 1992 increased \$61,000 or 3.1% from \$1,968,000 for the same period last year. This increase is due to earning asset volume increases, which offset the effect of lower interest rates in the first quarter of 1992. Net interest spread and net interest margin decreased for the three months ending March 31, 1992 compared to the same period in 1991. These changes are due primarily to declining interest rates. Yields on earning assets dropped slightly more than rates on interest bearing liabilities resulting in the decrease in net interest spread. Net interest margin decreased due to the overall declining interest rates and increase in total earning assets.

Average earning assets increased \$23,210,000, or 12.5% for the three months ended March 31, 1992 compared to 1991. The majority of this growth has been in loan balances. Average interest bearing liabilities increased \$18,513,000, or 12.1% for the three months ended March 31, 1992 compared to 1991. Growth in interest bearing deposits was the predominate factor in this increase.

At March 31, 1992, as at December 31, 1991, interest earning assets exceeded interest bearing liabilities. This position generally allows for a positive impact on net interest income in periods of rising interest rates and a negative impact in periods of declining rates. Because the cumulative positive interest sensitivity gap through one year of 5.1% is not significant, Bancorp has the ability to effectively manage its interest sensitivity gap to control the degree of interest rate risk on the balance sheet.

Provision for Loan Losses

The allowance for loan losses is based on senior management's continuing review of individual credits, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans, and other such factors that, in management's judgement, deserve current recognition in estimating loan losses.

An analysis of the changes in the allowance for loan losses and selected ratios follows:

Three months ended March 31

(In thousands except percentages)

	<u>1992</u>	<u>1991</u>
Balance at January 1	\$ 1,793	\$ 1,731
Provision for loan losses	180	180
Loan charge-offs, net of recoveries	(2)	12
Balance at March 31	\$ <u>1,964</u>	\$ <u>1,930</u>
Average loans, net of unearned income	\$ <u>157,777</u>	\$ <u>138,066</u>
Provision for loan losses to average loans (1)	<u>.46%</u>	<u>.53%</u>
Net loan charge-offs to average loans (1)	<u>.02%</u>	<u>N/A</u>
Allowance for loan losses to average loans	<u>1.24%</u>	<u>1.40%</u>
Allowance for loan losses to period-end loans	<u>1.21%</u>	<u>1.37%</u>

(1) Annualized

Non-Interest Income and Expenses

The following table sets forth the major components of non-interest income and expenses for the three months ended March 31:

In thousands

	<u>Three Months Ended</u>	
	<u>March 31</u>	
	<u>1992</u>	<u>1991</u>
Non-interest income		
Trust income	\$ 361	\$ 396
Investment securities gains	217	-
Service charges on deposit accounts	172	172
Other	<u>94</u>	<u>42</u>
Total non-interest income	<u>\$ 834</u>	<u>\$ 610</u>
Net-interest expenses		
Salaries and employee benefits	\$ 960	\$ 852
Net occupancy expense	117	102
Furniture and equipment expense	152	166
FDIC insurance	101	79
Other	<u>498</u>	<u>438</u>
Total non-interest expenses	<u>\$1,828</u>	<u>\$1,637</u>

Non-interest income increased for the first quarter ended March 31, 1992, compared to the same period in 1991. The most significant change was gains on sales of investment securities. In keeping with policy, such securities are generally held until maturity. In January, 1992, securities with a par value totaling \$3,000,000 were sold to meet objectives of the Bank's asset/liability management program. Intermediate term U.S. Treasury securities were sold and replaced with longer term investment grade municipal securities to take advantage of these significantly more favorable yielding securities. Trust income in the first quarter of 1992 decreased 8.8% as compared to the same period in 1991, to \$361,000. Trust assets under management at March 31, 1992, were \$216,500,000, an increase of \$21,500,000 or 11.0% from \$195,000,000 at December 31, 1991. The decrease in Trust income between quarters was due to a change in investment strategies and the related effect on fee income. During the first quarter of 1992, other non-interest income increased to \$84,000 as compared to \$42,000 in the first quarter of 1991. This increase is primarily due to gains on sales of mortgage loans. In January, 1992, the Bank began operating a mortgage banking company as a division of the Bank. The mortgage company originates residential mortgage loans and sells the loans in the secondary market.

Non-interest expenses increased \$191,000, or 11.7%, for the first quarter of 1992 compared to the same period in 1991. Salaries and employee benefits increased \$108,000, or 12.7%, over 1991. The increase represents normal salary adjustments made at the beginning of each year and the addition of new positions, including mortgage company and new branch personnel, to expand services available to and support functions for the Bank's customers. Net occupancy expenses increased 14.7% to \$117,000 in the first quarter of 1992 from \$102,000 for the same period in 1991. This increase arose primarily due to occupancy expenses incurred with the February, 1992, opening of a temporary branch facility. Furniture and fixture expense declined to \$152,000 in the first quarter of 1992 from \$166,000 in the first quarter of 1991. Timing of expenses such as computer maintenance resulted in this decrease. FDIC insurance expense increased 27.8% from the first quarter of 1991 to the first quarter of 1992. This is due to both an insurance rate increase of 10% in July, 1991 and an increase in total deposit account balances. Other non-interest expenses increased 13.7% to \$498,000 in the first quarter of 1992 as compared to \$438,000 in the first quarter of 1991. This increase is attributable to a number of factors including telephone, postage and marketing expenses associated with opening new branches and the mortgage company. Also contributing to the increase were professional fees charged to the trust department for the preparation of fiduciary tax returns. This function was heretofore completed internally by trust department personnel.

Income Taxes

Bancorp had income tax expense of \$205,000 for the three months ended March 31, 1992, compared to \$190,000 for the same period in 1991. The effective rate decreased slightly from 27.6% in 1991 to 26.1% in 1992.

B. FINANCIAL CONDITION

Total Assets

Total assets increased \$1,452,000 from December 31, 1991 to March 31, 1992. Total assets from March 31, 1991 to March 31, 1992, increased \$25,928,000, representing a 13.1% increase. Total average assets at March 31, 1992 were \$219,361,000, a 12.1% increase from March 31, 1991 of \$23,691,000.

Nonperforming Loans and Assets

Nonperforming loans, which include restructured, nonaccrual and loans past due over 90 days, totaled \$595,000 at March 31, 1992 and \$811,000 at December 31, 1991. This represents .37% of total loans at March 31, 1992 compared to .52% at December 31, 1991. The Bank considers the level of non-performing loans in its evaluation of the allowance for loan loss.

Nonperforming assets, which include nonperforming loans and other real estate owned, totaled \$1,070,000 at March 31, 1992 and \$1,086,000 at December 31, 1991. This represents .48% of total assets at quarter-end compared to .49% at December 31, 1991.

C. LIQUIDITY

The role of liquidity is to ensure that funds are available to meet the depositors' withdrawal and borrowers' credit demands while at the same time maximizing profitability. This is accomplished by balancing changes in demand for funds with changes in the supply of those funds. Liquidity to meet demand is provided by maturing assets, short-term liquid assets that can be converted to cash, and the ability to attract funds from external sources - principally deposits. Interest rate sensitivity has a major impact on the earnings of the Bank. As interest rates change in the market, rates earned on assets do not necessarily move identically with rates paid on liabilities. Proper asset and liability management involves the matching of interest sensitive assets and liabilities to reduce interest rate risk.

The Bank has a number of sources of funds to meet its liquidity needs on a daily basis. An increase in loans affects liquidity as the repayment of principal and interest are a daily source of funds. The deposit base, consisting of relatively stable consumer and commercial deposits, and the large denomination (\$100,000 and over certificates of deposit), is another source of funds. In addition, federal funds purchased continue to offer a source of funds. Other sources of funds available to meet daily needs include the sale of securities under agreements to repurchase and funds made available under a Treasury Tax and Loan Note Agreement with the federal government. In September 1991, the Bank joined the Federal Home Loan Bank of Cincinnati (FHLB). As a member of the FHLB, the Bank has access to credit products of the FHLB. These credit services provide the Bank with another source of funds.

Federal funds sold have decreased from \$3,500,000 at December 31, 1991 to \$0 at March 31, 1992. Investment securities have decreased \$2,729,000 from December 31, 1991 to March 31, 1992. Both of these decreases have occurred to help fund loan growth.

The Bank manages its interest rate risk by primarily making variable rate loans. The Bank does, however, make fixed rate consumer loans which it matches, along with investment securities, against longer term fixed rate time deposits.

Bancorp's liquidity depends primarily on the dividends paid to it as the sole shareholder of the Bank. At March 31, 1992, the Bank may pay up to \$3,224,000 in dividends to Bancorp without regulatory approval.

D. CAPITAL RESOURCES

At March 31, 1992, stockholders' equity totaled \$18,633,000, an increase of \$477,000 or 2.6% since December 31, 1991.

At March 31, 1992, Bancorp's tier 1 and total risk based capital ratios were 11.9% and 13.6%, respectively, compared to 11.8% and 13.4%, respectively, at December 31, 1991. These ratios exceed the 4.00% tier 1 and 8.0% total capital minimums for each ratio required by the end of 1992. A minimum leverage ratio, adopted by the Federal Reserve Board in 1990 to assist in the assessment of capital adequacy, supplements the risk-based capital requirements. The minimum leverage ratio is 3%; however, most bank holding companies will be required to maintain a minimum in excess of this percentage. Bancorp's leverage ratio at March 31, 1992 was 8.4%, compared to 8.2% at December 31, 1991.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
 - (11) Computation of Per Share Earnings
- (b) Reports on Form 8-K

The registrant was not required to file a Form 8-K for any of the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

S.Y. BANCORP, INC.

Date: May 13, 1992

By:


DAVID H. BROOKS, President

Date: May 13, 1992

By:

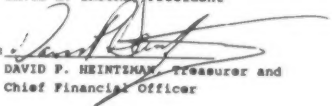

DAVID P. HEINTZMAN, Treasurer and
Chief Financial Officer

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS
S.Y. Bancorp, Inc. and Subsidiary

PRIMARY	For the Three Months Ended March 31	
	1992	1991
Average shares outstanding	1,287,017	1,272,092
Effect of assumed conversion of stock options under treasury stock method	<u>45,732</u> <u>1,332,749</u>	<u>56,821</u> <u>1,328,913</u>
Net income	\$ <u>580,000</u>	\$ <u>499,000</u>
Per share	\$ <u>.44</u>	\$ <u>.38</u>
FULLY DILUTED		
Average shares outstanding	1,287,017	1,272,092
Effect of assumed conversion of stock options under treasury stock method	<u>48,442</u> <u>1,335,459</u>	<u>57,782</u> <u>1,329,874</u>
Net income	\$ <u>580,000</u>	\$ <u>499,000</u>
Per share	\$ <u>.43</u>	\$ <u>.38</u>